



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Agreement for Sales Tax Audit and Information Services

MEETING DATE: March 6, 1991

PREPARED BY: Assistant City Manager

RECOMMENDED ACTION: The City Council approve the attached agreement with Hinderliter, DeLlamas and Associates for sales tax audit and adopt the attached resolution.

BACKGROUND INFORMATION: There is the distinct possibility the City of Lodi may not be receiving its full potential sales tax revenue. This is not to say that commercial and industrial establishments are are not properly collecting and reporting sales and use tax.

Sales tax revenues can be increased through a system of monitoring, identifying and correcting "point of sale" allocation errors.

For instance, a commercial outlet may have multiple outlets but all sales go through one store or corporate office outside the City of Lodi and the sales tax, therefore, goes to the other city. A place of business may be incorrectly identified as being outside the City limits when, in fact, it is in the City. Through cooperation with corporations, major equipment purchases can be made by the company direct and then the use tax be paid within the City. These are but a few of the types of allocations the audit may uncover.

It must be emphasized and underscored this is an audit of the State and not the individual merchants.

Over 100 cities in California are using these services. We contacted three cities in northern California: Fremont, Livermore and Martinez. All three reported increased sales tax revenues in excess of \$100,00 per year.

Hinderliter, De Llamas and Associates are so sure that there are point of sales errors that they have written the contract to provide that payment of the fees be deferred until such time as adequate new sales tax revenue, sufficient to pay the fees, have been received by the City as a result of audit and recovery performed by the contractor.

APPROVED: _____

THOMAS A. PETERSON
City Manager

Council Communications
Agreement for Sales Tax Audit and Information Services
March 6, 1991
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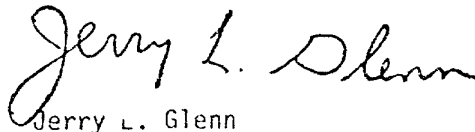
The cost for this service is \$500 per month plus 15% of all new sales or use tax revenue received by the City. For instance, if we were to receive \$100,000 in new money, our cost would be \$21,000 (\$500 per month for 12 months plus 15% of \$100,000).

The City Manager, Finance Director and myself met with Mr. de Llamas and were impressed with the company's low key, yet comprehensive audit procedures. The way the contract is written the City is at no risk and stands to gain significant amounts of new revenue. We strongly urge the City Council approve this agreement.

In order for the contractor to proceed, the Council must also adopt the attached resolution authorizing Hinderliter, de Llamas and Associates to examine sales tax records of the City.

FUNDING: None Required

Respectfully submitted,



Jerry L. Glenn
Assistant City Manager

JLG:br

Attachments

CCCOM148

RESOLUTION NO. 91-39
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A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING ACCESS TO SALES AND USE TAX RECORDS PURSUANT TO
REVENUE AND TAXATION CODE SECTION 7056
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THE CITY COUNCIL OF THE CITY OF LODI HEREBY RESOLVES AS FOLLOWS:

Section 1. The following City officials are hereby authorized to receive and review sales and use tax allocation information from the State Board of Equalization:

City Manager:	Thomas A. Peterson
Finance Officer:	Robert Holm or his successor
Assistant City Manager:	Jerry L. Glenn

Section 2. The following independent contractor for the City of Lodi is hereby also authorized to receive and review sales and use tax data received from the State Board of Equalization:

Hinderliter, de Llamas & Associates: Robert Hinderliter, Principal
Lloyd de Llamas, Principal


Section 3. The City of Lodi hereby certifies that Hinderliter, de Llamas & Associates:

- A. Has a current confidentiality contract with the City to receive sales and use tax records; and
- B. Is required by that contract to disclose information contained in, or derived from, those sales and use tax records only to an officer or employee of the City who is authorized by this Resolution to examine the information; and
- C. Is prohibited by that contract from performing consulting service for a retailer during the term of that contract; and
- D. Is prohibited by that contract from retaining the information contained in, or derived from those sales tax records, after that contract has expired.

Section 4. Information obtained by examination of Board of records shall be used only for purposes related to the collection of local sales and use taxes by the Board for municipal revenue forecasting and verification.


Section 5. The City Clerk shall certify to the adoption of this Resolution and send forward a certified copy to:

State Board of Equalization
2014 "T" Street, Suite 220
Sacramento, CA 95814
Attention: Jim Munekawa



DAVID M. HINCHMAN
Mayor

ATTEST:



ALICE M. REIMCHE
City Clerk

Dated: March 6, 1991

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I hereby certify that Resolution No. 91-39 was passed and adopted by the Lodi City Council in a regular meeting held March 6, 1991 by the following vote:

Ayes: Council Members - Pennino, Pinkerton, Sieglock, Snider
and Hinchman (Mayor)

Noes: Council Members - None

Absent: Council Members - None



Alice M. Reimche
City Clerk

CITY COUNCIL

DAVID M. HINCHMAN, Mayor
JAMES W. PINKERTON, Jr.
Mayor Pro Tempore
PHILLIP A. PENNING
JACK A. SIEGLOCK
JOHN R. (Randy) SNIDER

CITY OF LODI

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P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 334-5634
FAX (209) 333-6795

THOMAS A. PETERSON
City Manager
ALICE M. REIMCHE
City Clerk
BOB McNATT
City Attorney

March 11, 1991

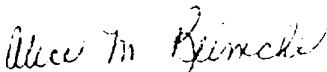
State Board of Equalization
Attention: Jim MuneKawa
2014 "T" Street
Sacramento, CA 95814

Dear Mr. MuneKawa:

Enclosed please find certified copy of Resolution No. 91-39 entitled, "A Resolution of the Lodi City Council Authorizing Access to Sales and Use Tax Records Pursuant to Revenue and Taxation Code Section 7056" which was adopted by the Lodi City Council at its regular meeting of March 6, 1991.

Should you have any questions regarding this matter, please do not hesitate to call this office.

Very truly yours,


Alice M. Reimche
City Clerk

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Enclosure